

# E-Publishing in Small Nations of the European Union

## A Comparative Approach to Policy Frameworks and SME<sup>1</sup> Business Strategies

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### Abstract

The publishing industry is in a fundamental transition phase initiated by digitization. This transition involves production processes, communication options, and of course the ‘products’ themselves. While challenging the traditional assumptions, processes and structures of the book industry, e-books also offer a wealth of new opportunities to producers and readers: lower production and distribution costs, shorter time to market, earlier break-even points, easier vertical marketing strategies that target specific groups, new content features, and social reading as a product feature as well as a means for marketing and content discovery.

E-book distribution in most markets of the EU is dominated in particular by an oligopoly of international hardware and software companies as well as digital content distributors with their fenced-off e-book ecosystems. These ecosystems do not only hamper the differentiated bricks-and-mortar book-selling infrastructure and the cultural diversity in Europe, they also restrict the scope of action and the innovative potential especially of small-nation publishers – ‘small’ in this context relates among other things to the nation’s

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<sup>1</sup> small and medium-sized enterprise

linguistic and economic status. Thus forcing publishers to think anew about innovative business strategies.

For this reason, this research project focuses on a theoretical investigation of potential business models for e-publishing, and their relationship to publishing operations, as well as on an empirical analysis of current policy frameworks and e-publishing practices within a number of small nations in the EU.

**Keywords:** publishing; publishing industry; digitization; small nations; SME; digital business strategies

## 1 Research plan

### 1.1 Research abstract

In very general terms, this research looks at the impact of digitization on small and medium-sized publishing houses focusing on trade publishing in what can be defined as small nations in Europe.<sup>2</sup> Due to their peripheral role in the European fiction market, these nations are often overlooked by researchers. That is why this study will focus on such small nations with the aim to better understand the struggles they face and will also address the question whether those small-nation publishers can benefit from e-publishing and if e-publishing could help to promote and protect Europe's cultural and linguistic diversity.

Technology has always been a major driver for change and innovation and especially digitization has affected almost every industry in the last decade. Hence, digitization and the spread of the internet have initiated a transition phase in publishing. This transition affects not only the production process but also the way of communication and the product itself as well as its distribution. The novel products offer new opportunities not only to readers but also to the industry itself: lower production and distribution costs, shorter time to market and therefore earlier break-even points. Online communities and social reading change the way books are consumed and social media

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2 The concept of nation within the scope of this research project can be defined as social groups that share a culture, history, ethnicity and language. Besides, small is a relative concept manifesting itself in categories such as geographical spread as well as in its linguistic and economic status (Boswell, 2014: 19).

allows for easier vertical marketing that targets specific groups. Furthermore, new features (enhancements) open new possibilities for authors and the way stories can be told. Therefore, digitization can be an advantage for small publishers: direct sales opportunities, new forms of marketing, cheaper production processes and so forth.

On the other hand, some aspects of digitization also pose a challenge for traditional publishers. For instance, self-publishing is becoming more and more popular which increases the number of e-books available online and making it difficult for text to stand out. This is especially true for English language titles. Moreover, e-book pricing is an issue: with lots of low-priced self-published books available, publishers are struggling to define a consistent pricing strategy. This is enforced through value added tax regulations in Europe which prohibit the application of a reduced rate on e-books. In addition, different VAT rates exist throughout Europe, creating an uneven field of play that privileges global media companies which can take advantage of these varying practices in order to reduce tax for their customers. Smaller actors are therefore more hesitant to invest in digital strategies.

Another important thing to keep in mind is that most markets of small nations in Europe today are largely influenced by an oligopoly of international hard- and software companies as well as digital content distributors which dominate the distribution of e-books with their mostly fenced-off e-book ecosystems through non-interoperable formats. Furthermore, they exercise censorship through prohibiting certain kinds of content to be made available on their platforms. This hampers the cultural diversity in Europe as well as restricts the scope of action and the innovative potential especially of publishers in small nations. So an important question is if there are ways to support the growth of a decentralised e-publishing sector in Europe.

To sum this up, the evolution of e-books in European book markets is highly diverse both in terms of market penetration, significant differences in policy debates, expectations by various stakeholders, and overall market context such as market size and cultural choices. Nevertheless, digitization is also influencing publishers in smaller nations in Europe as the linear supply chain has been transformed into a global network with powerful online retailers pushing publishers to establish a digital strategy. Furthermore, self-publishing, *Amazon*, *Apple* or *Google* all aim at replacing what used to be the core business of publishing. These developments, in an environment where technology and content merge together, are the reason why traditional publishing houses need to think about how they can benefit from the technologi-

cal change and if so, whether they need to innovate their publishing strategies and business models.

This notion is discussed in many recent newspaper and journal articles. But at the same time there is very little research that focuses on how the situation looks like in different markets at the moment and more specifically how small publishing houses are affected and how this is visible in new business models and business strategies. This is surprising as it can be assumed that small markets and hence small publishers are especially affected by the distorted competitive conditions. With this thesis this research gap shall be closed.

## 1.2 Research objectives

This research project aims to investigate how the business landscape of book publishing is changing with the increase in technological advancements and changing consumer behaviours. Of interest is, how the transformation in the publishing environment affects established publishing houses and what measures these publishing houses take in order to adapt and thus create sustainable businesses for the years to come in the digital age.

Most research on digitization in book publishing focuses on technology, organisational changes and product innovation but there is hardly any research that applies economic theories to the publishing industry. This is why this research uses the business model concept to analyse how and why established firms change their business practices and how this relates to their long-term strategy as well as how the context is influencing the options of publishing houses to innovate their business models. This will enable a new discussion about the change in publishing businesses.

By comparing and examining digital publishing practices of trade book publishers in three case studies, this thesis will answer questions about change and why some things stay the same. It is also a project about innovation in business strategies and change in business models as well as necessary adaptations in policy frameworks to be able to support publishing houses in their digital strategies. This leads to the following research questions, which will be answered using the methods described in the following chapter:

1. What are current and potential **innovative business models for e-publishing in small nations** in Europe and are they sustainable?
2. Which **internal and external factors** hinder or improve the **development** of innovative business models?

3. Does e-publishing help small-nation publishers to **reach a wider audience** and how do **oligopoly structures in the e-publishing distribution** hamper the development of the e-publishing sector?
4. How do current **policy frameworks for e-publishing** in those small nations and on a European level look like?

Through answering this research questions, this thesis will not only contribute to the theory of business models in book publishing but will also enhance the understanding of the future development of a decentralised e-publishing sector in Europe and lead to more informed policy-making. It also likes to contribute to managerial practice by means of supporting small-nation publishers with regard to their decision making. This involves organisational choices, program planning, technical specifications as well as revenue models – so that they can use the opportunities which digitization offers.

### 1.3 Overview of methodology

One part of the research will focus on the effects of digitization on publishing practices and especially on business models of small-nation publishers in Europe. A qualitative social research approach suits this topic best as there is little known about e-publishing practices in small nations and especially on the effects of digitization on business models. Qualitative research displays an explorative character in comparison to quantitative research and is therefore most appropriate in this context (Lamnek, 2010). The primary aim of qualitative research is to understand the social reality. In doing so, the real-life context is described initially followed by a deduction of hypotheses and theories from the collected data (Hermanns, 1992; Lamnek, 2010). Thus, the complexity of social problems and of the study object can be considered as well as the subjective meaning of the objective actuality for human beings. This subjective meaning is responsible for the actions of individuals and is therefore crucial for the understanding of the social reality (Flick, 2005; Lamnek, 2010).

In addition, I propose a case study design to gain a first overview of the current situation of e-publishing in small nations as this design is suited best when there is hardly any information about the object under examination (Eisenhardt, 2006). This research will mainly follow the stages of case study design as proposed by Eisenhardt so as to formulate hypotheses: definition of research questions, selecting subject matter, data collection, data procession, analysis, and documentation (ibid.: 219). Furthermore, I intend to

undertake a multiple-case design to make the predications more significant (Yin, 2003) and generalizable (Mayring, 2015). Through differences between the cases, correlations amid different characteristic values can be found (Gläser & Laudel, 2010). Moreover, comparisons are a vital part of the development of inductive generalisations as well as being central to procedures in grounded theory (Brewer, 2003). Empirical generalisation can be made by comparative research as the same process is studied in different fields and also leads to a better understanding of local specificities or generalities (ibid.). This is of relevance because of the differences in book culture and history as well as the different political and economic situations. Deductive comparative studies hereby tend to seek patterns of convergence between nations to support validity of general theory that is applied to understand and explain the social process under study (ibid.). Inductive comparative studies however tend to focus on patterns of variance to support the argument that social life is historically specific and culturally bound (ibid.).

For the purpose of data collection, expert interviews (semi-structured in-depth interviews) with relevant individuals in the publishing field will be held and then analysed with the help of a qualitative content analysis (Gläser & Laudel, 2010; Mayring, 2015). In order to understand why publishing houses engage in e-publishing or why not and how they intend to create value with new business models, interviews with managing directors of publishing houses as well as with employees responsible for e-publishing and innovation in these publishing houses seem most promising. The “advantage of this method [...] is that it enables you to get inside organizations and get a feel for how they work, allows you to explore issues in depth and helps you to see the world from the viewpoint of particular individuals located at particular points within the field” (Thompson, 2010: 406–407). Moreover, to understand the state of e-publishing in the respective nations, start-ups offering services which interfere with business models of publishers must be studied along self-publishing activities.

To analyse the impact of policy frameworks on the development of a successful e-publishing sector in these small nations, laws and discussions surrounding them need to be examined on an international, European and national level. Therefore, grounded theory seems to be a promising approach and shall therefore be analysed in detail on its applicability for the research project.

During the last months’ quantitative data on the publishing industry in the countries under examination, has been collected. This data will be used later

for triangulation during the analysis of the interview data. Furthermore, a questionnaire was designed on the basis of the research gap identified in the literature review and with the intention to answer the research questions.

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